ZERO-BASED BUDGETING IN GEORGIA: BUDGETARY DÉJÀ VU

Justin Reeves
Master of Public Administration Student
Department of Government and Sociology
Georgia College & State University
Milledgeville, Georgia
trotsky1918@gmail.com

Daniel Rhodes Simpson, MPA
Adjunct Instructor of Political Science
Department of Social and Behavioral Sciences
Georgia Military College
Milledgeville, Georgia
dsimpson@gmc.cc.ga.us

W. Clif Wilkinson, Jr., JD, MPA
Lecturer in Political Science and Public Administration
Department of Government and Sociology
Georgia College & State University
Milledgeville, Georgia
wc.wilkinson@gcsu.edu

Abstract: During the administration of Governor Jimmy Carter in the 1970s, Zero-Based Budgeting (ZBB) was implemented as a budgetary tool for all State of Georgia agencies. This required state departments to justify entire operating budgets instead of using an incremental approach for changes within the annual budget. While this process was abandoned in the following years, support for it was renewed in the late 2000s. This support led Senator David Shafer to introduce Senate Bill 1 in 2009 which would have reimplemented a revised version of Zero-Based Budgeting for Georgia government. Shafer's proposal was approved by the General Assembly virtually unopposed. However, the measure was vetoed by Governor Sonny Perdue. Currently, similar proposals are being considered for the 2011 and 2012 legislative sessions. This paper will examine the 1970s implementation of Zero-Based Budgeting, provide a survey of the current legislative considerations, and discuss possible ramifications if the policy was to be reimplemented.

Keywords: Zero-Based Budgeting, Georgia, Policy Analysis

Prepared for the 2011 Meetings of Georgia Political Science Association
Savannah, Georgia
November 10-12, 2011

Historical Overview

Budgeting is a type of activity which contains multiple facets and numerous related components. The problem with budgeting is "where does one begin?" Obviously, as with the national budget, the key factor within the budget process and even the President's State of the Union address is the timetable for printing the budget by the Government Printing Office. There have been several scholars who have noted the lack of budget theory. V.O. Key wrote an article for the *American Political Science Review* in 1940 where he stated that "the most significant aspect of public budgeting, i.e., the allocation of expenditures among different purposes so as to achieve the greatest return, American budgetary literature is singularly arid" (1137-1144).

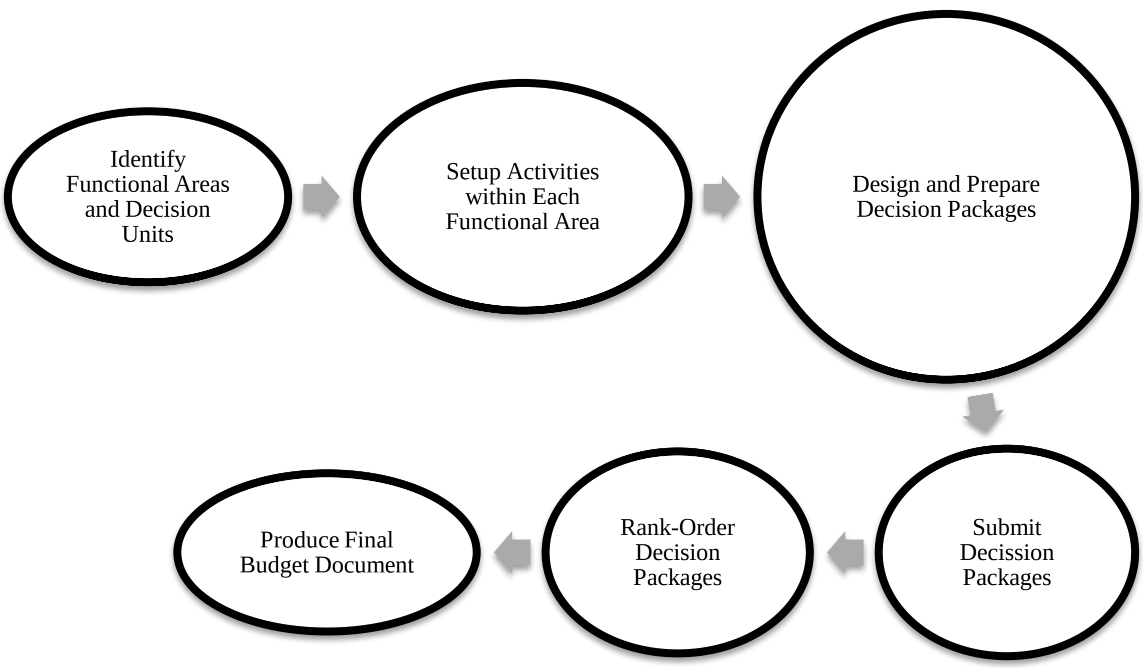
Budgeting is a tool with the purpose of "providing control, management, and planning" (Shick 1966). The most basic purpose is one of holding government accountable for the efficient use of taxpayer dollars.

The 1960's in the United States are generally thought of as a decade of radical change, if not as a turning point altogether, in the way in which we view contemporary American history. This decade witnessed the apex of aggression between the Soviet Union and the United States, brought about radical cultural changes within the United States, and forever changed the way that American society would view conflicts fought around the globe. These changes, both at home and abroad, ushered in a new period of American innovation. This decade would open with the invention of the LASER, witness the beginning of manned spaceflight, and close with putting men on the moon. However, one development of the 60's has been largely forgotten and, were it not for a humble peanut farmer from Plains, Georgia, would likely remain as yet another dusty tick mark in the ledger of innovative history until this very day. The aforementioned development is Zero-Based Budgeting.

Zero-Based Budgeting was by no means the only budgeting program to be developed in the 60's. The Cold War being fought with the Soviets practically ensured that every imaginable measure would be taken to develop new budgeting methods to help give the United States an edge in the financial war against the Russians. Of course, it turned out that many of these budgeting methods were more costly in terms of time and implementation than the previous methods employed by the federal government. The best example of this, and the direct precursor to Zero-Based Budgeting, is a program which was implemented by Texan Lyndon Banes Johnson shortly after his ascension to the Presidency. The program was known as the Planning Programming Budgeting System (PPBS) and it was incredibly short-lived. In fact, the only federal department to continue using it past the 1960's was the Department of Defense. This was largely due to the Department of Defense's need for a long-term planning program that could, in theory, continue to cut costs by reviewing programs on a continual basis. While the program was implemented in other parts of the government, PPBS was found far too time-consuming and unwieldy for protracted use outside of the Department of Defense (Bourdeaux 2006, 4). Still, the very fact that new budgeting methods were being sought during this period shows that administrators recognized the changing mood within government and realized that new measures needed to be taken in order to reduce waste and increase efficiency within government. During this period, another Texan began to develop his own system for budgeting - a system that initially began in the private sector but one that would quickly spread into various state governments as well as the federal government during the coming decade.

Zero-Based Budgeting became popular after Peter Pyhrr searched for a budgeting tool which would increase financial efficiency. He further developed a process known as Zero-Based Budgeting while he was a staff control manager at Texas Instruments in Dallas, Texas (Anderson 1977). This process was centralized around the belief that an entity should spend more time identifying the mission and various goals of its organization as well as the different choices that were available in pursuing the overall mission and the underlying goals. Once these goals were decided, Pyhrr advocated separating the goals and their processes into "decision packages." These packages were ordinally ranked based on their cost with the lowest package starting at zero and going up, thus the name Zero-Based Budgeting. Pyhrr began implementing his process at Texas Instruments in the 1960's. In late 1970, he wrote an article about the process in the *Harvard Business Review* (Pyhrr 1970). It was this article that happened to catch the attention of a peanut farmer and former state senator from Georgia who had just recently been elected to the Governorship of that state.

Figure 1: The process of Zero-Based Budgeting



Jimmy Carter read Pyhrr's article on Zero-Based Budgeting in December of 1970 and was immediately fascinated by the concept of the program that had been developed to the west of his home state. The Governor-Elect contacted Pyhrr and began to make arrangements to bring the staff control manager on-board as a personal advisor. After his inauguration in January of 1971, Carter began consulting Pyhrr about implementing Zero-Based Budgeting on a statewide level. As a result of the meetings between Pyhrr and Carter, the Governor ultimately made several new executive budget recommendations for the State of Georgia's Fiscal Year 1973 budget (Anderson 1977). The process took some time to refine, but it was ultimately viewed as a victory by those within the Carter administration due to a fifty percent reduction in the administrative costs of the State of Georgia as well as the consolidation of nearly three hundred state agencies into only thirty agencies (Mistler 2011). Pyhrr's method had become something of a political wunderkind to Carter. The chipper "New South" Governor began making preparations to include Zero-Based Budgeting in the 1976 arsenal of his outsider campaign for the Presidency. However, in the process of preparing for his presidential bid, there were ominous signs from within Georgia that Carter overlooked (Hermanson & Minmier 1976, 3). Lurking in the shadows was a harsh truth about the Georgian Governor's wonder program; it consumed an enormous amount of time and energy to implement. Zero-Based Budgeting began to reveal its weaknesses after Carter rose to the presidency and began to initiate reforms on federal level, where Carter would stretch the adaptability of the federal government to the breaking point (Mistler 2011).

When Jimmy Carter won the 1976 Presidential election, many throughout the nation were shocked that this relatively unknown southern governor could contend with the likes of George Wallace, Jerry Brown, Henry Jackson, and ultimately President Gerald Ford. An outsider to the national government, Carter paraded past his opponents and into the White House with a treasure-trove of ideas that promised a positive future for the United States and an outlook that guaranteed to reshape the way government was viewed after the taint of Richard Nixon's Watergate scandal. As the popular campaign song of the time lauded "Jimmy Carter says Yes," and indeed, Jimmy Carter was saying yes in a very big way to Zero-Based Budgeting (Marshall, 2008). The President-elect began to make plans for its national implementation in the fall of 1976 and ultimately introduced Zero-Based Budgeting to the Federal government of the United States after his inauguration in 1977.

In April of 1977, President Carter issued a memorandum to the heads of all executive departments and agencies that explained his intention to implement the program. He informed his department and agency heads that the Director of the Office of Management and Budget had issued guidelines regarding the use of Zero-Based Budgeting and encouraged them to accept the new plan and to help their staff members to "interpret and apply it." Carter further explained that the agency and department heads would be able to rely on "Zero-Based Budgeting representatives" from the Office of Management and Budget for specific information needed for the implementation process (Carter 1977). At this point, Zero-Based Budgeting was still viewed as a success. This was largely in part to the believed success of Carter's program during his tenure as the Governor of Georgia. However, as the implementation process began Carter's grand scheme began to unravel. While the former Governor had been able to hold the program together and produce results on the state level, the new President found its implementation on the national level prohibitively difficult.

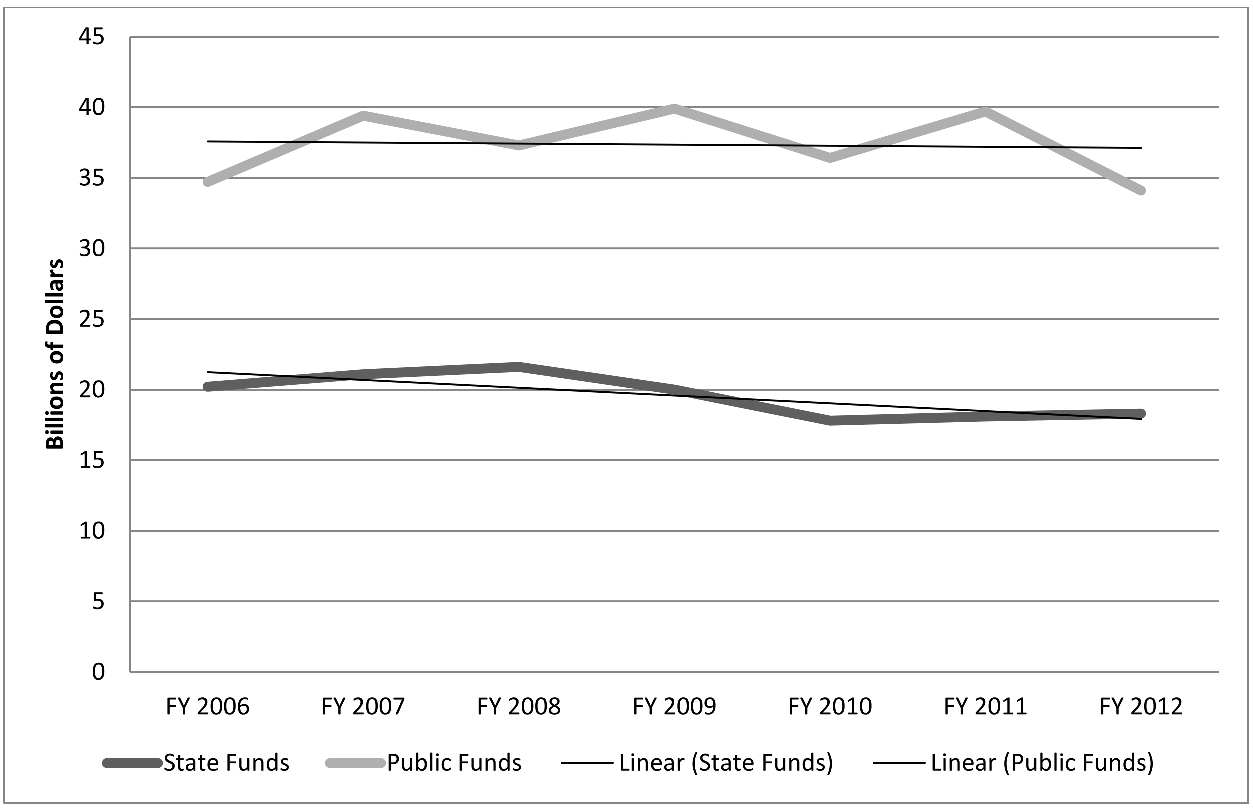
Zero-Based Budgeting was not implemented as quickly as the President originally hoped and, once in place, it began to produce vastly different results than had been anticipated based on the outcome of the implementation in Georgia. This is largely due to the fact that the larger the entity that Zero-Based Budgeting was applied to, the more unwieldy Zero-Based Budgeting became. Large amounts of paperwork began accruing on the collective desks of executive agencies and departments (Bourdeaux 2006, 5). It is important to note that this problem had been documented in Georgia but that it had been largely overlooked due to the comparative ease with which such budgetary issues could be managed on a state level. However, in both cases the paperwork took time and effort to complete; it was just much more noticeable on the federal level (Newgarden 1978). In the best-case scenario, such an amount of work would keep an administrator busy for a great deal of time. However, time was a luxury that Carter did not have.

When he entered office, President Carter was attempting to initiate budgetary reform along with a host of other programs. Unfortunately for Carter, these programs and initiatives were quickly forced to take a back seat to more pressing economic and foreign policy issues. In spite of Carter's initial effort and enthusiasm, Zero-Based Budgeting ultimately faltered on the national level and was replaced by traditional budgeting at the beginning of the Reagan administration four years later. In the end, it was not that Carter's program was a complete failure; it was simply a failure on the national level (Mistler 2011). To continually attempt to start at zero every year and create budgets accordingly was the equivalent to budgetary madness across the executive branch of the government. Although Zero-Based Budgeting failed to live up to its expectations within the Federal government it is important that it not be overlooked as a useful tool for budgeting. This is especially true for smaller governments that do not have to dedicate as much time and resources to creating (and justifying) a completely new budget each year.

Legislative History

As the first decade of the 21st century drew to a close, it became clear that governments across the country had to cut spending due to decreased revenues. In Georgia, this was plainly evidenced. As demonstrated by Figure 2, between FY 2006 and FY 2012 the total state revenues had decreased by 9.4% when adjusted for inflation. During this time of renewed interest in economic efficiency, Zero-Based Budgeting once again became an advocated model of increasing government accountability.

Figure 2: Revenue Change in Georgia FY 2006 to FY 2012 (adjusted to 2011 levels)



Source: Compiled from State of Georgia Budgetary Documents

Note: All revenue levels normalized to 2011 values based on CPI. FY 2012 revenues are anticipated based on initial FY 2012 budget documents adopted in the 2011 session of the General Assembly (2011 H.B 78 CCR).

The current discussion of Zero-Based Budgeting in Georgia began when Senator David Shaffer (R-48th) introduced Senate Bill 1 in January of 2009 (Georgia General Assembly 2011d). This measure gained widespread support in both chambers and passed through both the State Senate in 2009 and House of Representatives in 2010 without opposition. However, there was opposition once the legislation reached the desk of Gov. Sonny Perdue (R) who vetoed the measure. In his veto message, he wrote:

> While SB 1 is motivated by an admirable goal, the realities of Georgia's and other states' experiences have demonstrated few results worth the overhead associated with this new process. Moreover, anyone familiar with the budget process I have employed during my eight years as Governor knows that I and my staff examine all facets of each agency's budget each year. Because existing law provides sufficient flexibility to conduct a searching examination of each agency's budget, and because SB 1 unnecessarily imposes new bureaucracy and restrictions on the Executive function of submitting budget requests, **I VETO SB 1**. (2010)

At the beginning of the next legislative session – in January of 2011 – the State Senate promptly unanimously voted to override the Governor's veto (GGA 2011d). During the debate leading to the override, Sen. Shafer spoke of Gov. Perdue's veto:

> I believe his analysis is fundamentally mistaken. The tax dollars of this state do not belong to the Executive Branch. They do not belong to the Legislative Branch. They do not belong to the House or to the Senate. They belong to the taxpayers, and we are merely their stewards – all of us. And we cannot discharge our responsibilities as stewards of those dollars if we do not understand how they are being spent. We cannot responsibly vote on a budget where the 90% or more of the spending is hidden from us. We cannot responsibly steward tax dollars when the money allocated to vacant positions is being sloshed around without any legislative accountability or oversight (2011).

However, the House of Representatives did not bring the override to a floor vote. Instead, opting to start a fresh process with a new piece of legislation, the veto override was referred to the Rules Committee where it was tabled (Associated Press 2011).

Table 1: Summary of various legislation to implement Zero-Based Budgeting in Georgia

	SB 1 (2009)	HB 33 (2011)		SB 33 (2011)			
	LC 28 4447	LC 18 9532	LC 14 0473S	LC 36 1711	LC 36 1754S	LC 34 3085S	AM 34 0544
Sponsor	Shafer	Allison	B&FAO[a]	Shafer	Senate Appropriations	B&FAO[a]	Shafer
Effective Date	January 2011	January 2012	January 2012	January 2012	January 2013	January 2012	January 2013
Timeframe	No more than every 4 years	Between 3 and 4 years	Between 3 and 4 years	No more than every 4 years	No more than every 4 years	Between 4 and 6 years	Between 4 and 6 years
Program Selection	OPB[b]	OPB[b]	JFASubCom[c]	OPB[b]	OPB[b]	JFASubCom[c]	OPB[b]
Sunset	None	None	None	None	None	June 30, 2019	June 30, 2020
Budget Office	Separate	Separate	Joint	Separate	Separate	Joint	Separate
Current Status	Vetoed	Committee Substitution	Passed House, In Senate Appropriations	Committee Substitution	Passed Senate, Committee Substitution	Passed House, Senate amended	Passed Senate, House disagreed

Notes:
[a] House Committee on Budget and Fiscal Affairs Oversight
[b] Office of Planning and Budget
[c] Joint Fiscal Affairs Subcommittee

Source: Compiled from Georgia General Assembly website

Following this development, there were two new pieces of legislation introduced. House Bill 33 (GGA 2011c) was introduced by Rep. Stephen Allison (R-8th) on January 24, 2011. The Senate followed up with their own new proposal in Senate Bill 33 (GGA 2011a) on January 31, 2011. In the beginning, both proposals were quite similar, and basically the same as the previously vetoed SB 1. However, as each piece of legislation found its way through the legislative process, there rose some stark differences.

As outlined in Table 1, there are some minor differences. Between the different versions, the effective date changed between January 2012 and January 2013, an issue which is now moot since it cannot be adopted until the General Assembly reconvenes in January of 2012. The time frame in which each program is subject to Zero-Based Budgeting also varies from being no more than every four years in SB 1 to being every three to four years in HB 33 to every four to six years in SB 33. The later versions of SB 33 also include a sunset provision – at the end of Fiscal Year 2019 or Fiscal Year 2020 depending on the version – which was not found in the earlier versions of the legislation. That is however, where the minor differences end.

The more important differences, and the more controversial, deal with who actually controls the process. Originally, in SB 1 and in the initial versions of HB 33 and SB 33, the programs were selected each year by the Office of Planning and Budget which is an executive agency. In the substitutes offered by the House committee[1] to both pieces of legislation, this responsibility moved to the Joint Fiscal Affairs Subcommittee.[2] This subcommittee consists of the members of the House and Senate Fiscal Affairs Subcommittees which are:

- Four incumbent members of the Senate Appropriations Committee who were reelected, to be selected by the President-Elect of the Senate, if there be one, or if not, by the President of the Senate

[1] House Committee on Budget and Fiscal Affairs Oversight
[2] Created in O.C.G.A. § 28-5-20. *et seq*

- Five incumbent members of the Senate who were reelected, to be selected by the Governor
- The Lieutenant Governor-Elect, if there be one, or if not, the Lieutenant Governor
- Four incumbent members of the House Appropriations Committee who were reelected, to be selected by the Speaker-of-the-House-Nominate (that is, the member of the House who has been nominated Speaker in the caucus of the political party having a majority of the members elected to the House of Representatives in the general election)
- Five incumbent members of the House who were reelected, to be selected by the Governor
- The Speaker-of-the-House-Nominate (O.C.G.A. § 28-5-21)

Finally, the biggest and most controversial difference is in the structure of the General Assembly support offices for the budgetary process. Since 1970, the Georgia General Assembly has been served by a Legislative Budget Office (GGA 2001) which assists with the evaluation and modification of the Governor's budget proposal prepared by the Office of Planning and Budget. From 1970 until 2003, the one budget office served both the House of Representatives and the State Senate in a joint capacity. However, in 2003, the first Republican controlled State Senate was elected. The new Republican leadership wanted more independence in the budgeting process (Galloway 2011). Therefore, they created the Senate Budget and Evaluation Office that same year (GGA 2011b) and the formerly titled Legislative Budget Office became the House Budget and Research Office (GGA 2011b).

When the Senate voted to override the veto, the chamber made it clear that it considered Zero-Based Budgeting to be a priority. Presented with the opportunity, the House – led by the members of the House Committee on Budget and Fiscal Affairs Oversight – raised the stakes. As Jim Galloway of the *Atlanta Journal-Constitution* wrote:

> [K]nowing how badly the Senate wanted the bill, the committee jacked up the price – adding an amendment that would return the Legislature to the good old days when a single budget office provided numbers to crunch for both the House and Senate.
>
> The system always seemed to benefit the House – which has first dibs on all budgetary matters (2011).

This change was obviously controversial. It was accepted in the House vote, but promptly rejected when the bill was sent back to the Senate. Sen. Shafer then introduced an amendment which changed the sunset provision and removed the language reverting back to a joint legislative budget office. The House disagreed with the amendment and a Conference Committee[3] was appointed. The legislation is currently still in the Conference Committee (GGA 2011a).

Even though the General Assembly has not required the implementation of Zero-Based Budgeting yet, many of the newly elected Republican statewide constitutional officers have announced that they will shift to the Zero-Based Budgeting format for their internal budgeting (Jones 2011). Commissioner Gary Black announced that the Department of Agriculture will use Zero-Based Budgeting beginning with the 2013 budget proposal (Young and Percy 2011). Likewise, Secretary of State Brian Kemp has also indicated that he will follow ZBB practices for the coming fiscal year (Georgia Secretary of State 2011). Labor Commissioner Mark Butler has also indicated that he will shift his department to the format (Jones 2011).

---

[3] Sen. Hill, Sen. McKoon, Sen. Shafer, Rep. Allison, Rep. Martin, and Rep. Cheokas

Conclusion

The Zero-Based Budget technique suggests that every expenditure and program within a budget can be explained – quickly and simply. This leads to the perception by the public that government and governmental bureaucrats are held accountable for their actions on a regular basis throughout the budgetary cycle. Advocates of the budgeting tool known as Zero-Based Budgeting stand firm in the conviction of ZBB's benefits:

- It identifies program duplication and overlap
- It assists decision-makers in determining the benefits and costs of specific policy objectives
- It assists managers in evaluating the performance of programs
- It assures evaluation of each program
- It assists in obtaining greater participation of employees in the budget process (See Pyhrr, 1971).

However, Zero-Based Budgeting does have its critics. They suggest several weaknesses such as:

- It is too time consuming
- It creates too much information
- It creates methodological problems such as the identification of cost and benefits
- It does not consider political feasibilities

The final question remains. Will the Georgia General Assembly reimplement this budgeting model as the standard in Georgia politics? While it seems likely, its future is still uncertain. What does remain, however, is the knowledge that the issue of Zero-Based Budgeting

– and the challenge of insuring efficient and accountable government – will remain at the forefront of policymakers' minds during the coming legislative session. Should the model be once again implemented in Georgia, will it be effective? While cautious glances to the past might provide guidance, only time and experience will tell.

References

Anderson, Christopher. 1977. "Zero-base budgeting is one way families and government can save money, says Peter Pyhrr." *People Magazine*. http://www.people.com/people/archive/article/0,,20068227,00.html.

Associated Press. 2011. "Ga. House punts on Senate veto override." *Atlanta Journal-Constitution*, January 31. http://www.ajc.com/news/ga-house-punts-on-822433.html.

Bourdeaux, Carolyn. 2006. *Legislative Influences on Performance-Based Budgeting Reform*. Atlanta, Georgia. http://aysps.gsu.edu/frc/files/report128.pdf.

Carter, Jimmy. 1977. Zero-base Budgeting in the Executive Branch Memorandum for the Heads of Executive Departments and Agencies. *The American Presidency Project*. http://www.presidency.ucsb.edu/ws/index.php?pid=7407#axzz1bjSwozaB.

Galloway, Jim. 2011. "House committee slaps a steep price on Zero-Based Budgeting." *Atlanta Journal-Constitution*, February 10. http://blogs.ajc.com/political-insider-jim-galloway/2011/02/10/house-committee-slaps-a-steep-price-on-zero-based-budgeting/.

Georgia General Assembly. 2001. Legislative Budget Office - Purpose. http://www1.legis.ga.gov/legis/budget/duties.htm.

———. 2011. SB33 Waste Reduction Act of 2011; Zero-Base Budgeting Act; application to the budget process; analysis of departmental/program objectives. http://www.legis.ga.gov/Legislation/en-US/display.aspx?Legislation=32266.

———. 2011. Senate Budget and Evaluation Office. http://www1.legis.ga.gov/legis/2011_12/senate/aboutsbo.htm.

———. 2011. HB 33 Budget Act; zero-base budgeting; provide. http://www.legis.ga.gov/Legislation/en-US/display.aspx?Legislation=32012.

———. 2011. SB1 Zero-Base Budgeting Act; provide for the application. http://www.legis.ga.gov/Legislation/en-US/display.aspx?Legislation=25967.

Georgia Secretary of State. 2011. Georgia Secretary of State's Zero-Based Budget. http://www.sos.ga.gov/zbb/.

Hermanson, R. H., and G.S. Minmier. 1976. "Zero-base Budgeting: The Georgia Experience." *Atlanta Economic Review*: 5-12.

Jones, Walter. 2011. "Georgia state agencies go to 'zero-based' budgets." *The Augusta Chronicle*, May 19. http://chronicle.augusta.com/latest-news/2011-05-19/georgia-state-agencies-go-zero-based-budgets.

Key, V.O. 1940. “The Lack of a Budgetary Theory.” *The American Political Science Review* 34 (6): 1137-1144. http://www.jstor.org/stable/1948194.

Marshall, G. (Artist). 2008. “Jimmy Carter says ‘Yes.’” *Web Video*. http://www.youtube.com/watch?v=h874BPSnbWc.

Mistler, Steve. 2011. Political Pulse: LePage channels Jimmy Carter with Zero-Based Budgeting. *Lewiston Sun Journal*. http://www.sunjournal.com/columns-analysis/story/1079035.

Newgarden, A. 1978. “Zero-Based Budgeting: Conversations in Washington.” *The Authur Young Journal* (Summer/Autumn): 2-23.

Perdue, Sonny. 2010. *Governor Perdue Signs Bill Clarifying Georgia’s Gun Laws*. *Signs*. http://www.georgia.gov/00/press/detail/0,2668,78006749_160096907_160291947,00.html.

Pyhrr, P.A. 1970. “Zero-base Budgeting.” *Harvard Business Review* 48 (6): 111-121.

Schick, Allen. 1966. “The Road to PPB: The Stages of Budget Reform.” *Public Administration Review* 26 (4): 243-258. http://www.jstor.org/pss/973296.

Shafer, David. 2011. Sen. David Shafer’s Remarks Regarding the Override of Gov. Perdue's SB 1 Veto. *Georgia Senate Press Office*. http://senatepress.net/sen-david-shafer’s-remarks-regarding-the-override-of-gov-perdue’s-sb-1-veto.html.

Young, Neely, and Susan Percy. 2011. New Agriculture Advocate: Gary Black heads the department that oversees Georgia’s largest industry. *Georgia Trend*. http://www.georgiatrend.com/features-people/08_11_black.shtml.